



## News Release

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**IRS CLARIFIES HOW TO REPORT NEW JERSEY PROPERTY TAX REBATES**

**SPRINGFIELD** - To help New Jersey taxpayers understand and meet their tax responsibilities; the Internal Revenue Service today explained the reporting requirements for the Homestead and New Jersey Saver Rebate Programs.

"Taxpayers that claimed itemized deductions, including all of their property taxes, on last year's federal income tax return, will need to report the rebate as income for 2002. Residents will not receive a Form 1099 from the State of New Jersey since this is not an income tax refund," said Gregg Semanick, IRS spokesperson in New Jersey.

"Rebates of this type are called 'recoveries'," Semanick said. "A recovery is a return of an amount you deducted or took credit for in an earlier year. In this case, it is the deduction you took for your property taxes on your 2001 tax return. Taxpayers who itemized last year may have enjoyed the benefit of taking a deduction for the entire amount of their property tax payment. However, since they received part of that deduction back in the form of a property tax rebate, after they filed their return, these taxpayers will have to report that rebate on this year's return."

New Jersey taxpayers can report the rebate on Line 21 of Form 1040. Line 21 is designated for reporting "Other Income" and has a space for describing the income. Taxpayers can enter "Property Tax Rebate" in the space provided on the return. Alternatively, taxpayers can offset the rebate on their 2002 property tax deduction on line 6 of Schedule A – Itemized Deductions. Line 6 is designated for reporting a deduction for "Real Estate Taxes."

Taxpayers who used the standard deduction, or who did not claim their property tax as an itemized deduction on their 2001 tax return, do not have to report the rebate as income. By not claiming an itemized deduction for property taxes, these taxpayers did not receive a special tax benefit and therefore there is no taxable recovery.

The IRS suggests that taxpayers review the explanation of Other Income in their Form 1040 Instruction booklet. Taxpayers can find a more detailed explanation of Recoveries on page 18 of IRS Publication 525 as well as Revenue Ruling 78-194 for further details on the property tax offset. Taxpayers are also encouraged to discuss their specific tax situation with the tax professional that prepares their return.

Additional information on this and other tax issues as well as publications and forms can be found at the IRS Web site [www.irs.gov](http://www.irs.gov). Forms and publications also can be ordered by calling 1-800-829-3676 (1-800-TAX-FORM). Taxpayers seeking further assistance on tax related matters can call the IRS toll-free customer service line at 1-800-829-1040 (1-800-TAX-1040).

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